

# Alternatives: Outsourcing

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Alternatives: Outsourcing

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# Alternatives: Outsourcing

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# Outsourcing

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Notes

What is it?

Why is it becoming a  
major factor?

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Notes

# Evolution of Outsourcing

Product/Service	1970s	1990s
Applications Software	Applications Packages →	Applications Management
Professional Services	Consulting Contract Prog →	Applications Maintenance

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OU-18a

Notes

# Evolution of Outsourcing

Product/Service	1970s	1990s
Processing Services	Specific Proc Serv	→ Systems Operations
Networking Services	Value-Added Networks	→ Network Operations

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OU-18b

Notes



# IS Outsourcing Areas

1. Systems operations
2. Applications management
3. Network operations
4. Desktop services

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Notes

# Driving Forces—Outsourcing

Category	Outsourcing
Staff	Scarcity of talents
Technology	Increasing complexity New technology

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# Driving Forces—Outsourcing

Category	Outsourcing
Response	Service requirements Flexible operations
Financial	Cost reduction New scales of economy
Management	Executive refocus

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# Inhibiting Factors Outsourcing

Category	Outsourcing
Management Fallback	Loss of control Inability to reverse decision

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Notes



# Inhibiting Factors Outsourcing

Category	Outsourcing
Financial	Uncertain savings
Staff	Threat to organization

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Notes

# Buyer Motivation for Outsourcing

	Ranking	
	1991	1990
Reduce Operating Costs	1	2
Improve Service Levels	2	5
Refocus Executive Attention	3	8

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OU-45a

Notes

# Buyer Motivation for Outsourcing

	Ranking	
	1991	1990
Supplement Internal Skills	4	7
Provide Flexibility/Response	5	6
Acquire New Technology	6	NM

NM=Not Mentioned

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Notes

# Organizational Impacts

Group	Impacts
Total Organization	No visible impact Reallocation of personnel Faster access to skills More disciplined implementation

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Notes



# Organizational Impacts

Group	Impacts
Information Systems Management	Manage a smaller organization Shift to tactics and strategy Time available for planning

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Notes

# Organizational Impacts

Group	Impacts
Information Systems Professional	Significant initial anxiety Greater career opportunities

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Notes

# Outsourcing User Issues

- Business environment
  - Critical value of information
  - Organizational impact
  - Flexibility for change

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Notes

# Outsourcing User Issues

- Operating environment
  - Dependency on vendor
  - Long-term stability
  - Improved service levels
  - Control over operating costs

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Notes



# Vendor Strategies

- Systematics
- Andersen Consulting
- Electronic Data Systems

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Notes

# Systematics

Heritage	Applications management
Focus	Banking industry only
Strength	Industry specialization Application software
Direction	Systems management (banking)

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Notes

# IBM

Heritage	Equipment manufacturer
Focus	Many vertical markets
Strength	Industry knowledge Large resource base Good reputation
Direction	Total systems management (ISSC)

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Notes

# Andersen Consulting

Heritage	Professional services
Focus	Business solutions
Strength	Consulting methodology Systems development methodology
Direction	Systems management

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Notes



# Computer Sciences Corp.

Heritage	Professional services
Focus	Systems integration/ systems operations
Strength	Federal government experience Large technical staff Program management experience
Direction	Commercial systems operations

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Notes

# Electronic Data Systems

Heritage	Facilities management
Focus	Systems operations
Strength	Network and network management Huge data centers
Direction	Vertical applications management

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Notes

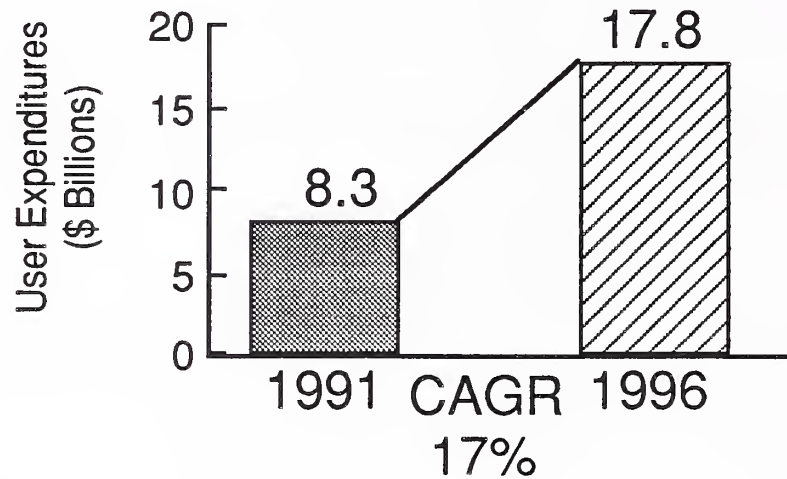
# U.S. Systems Operations Market Forecast

SO- 19b

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# U.S. Systems Operations Market Forecast, 1991-1996

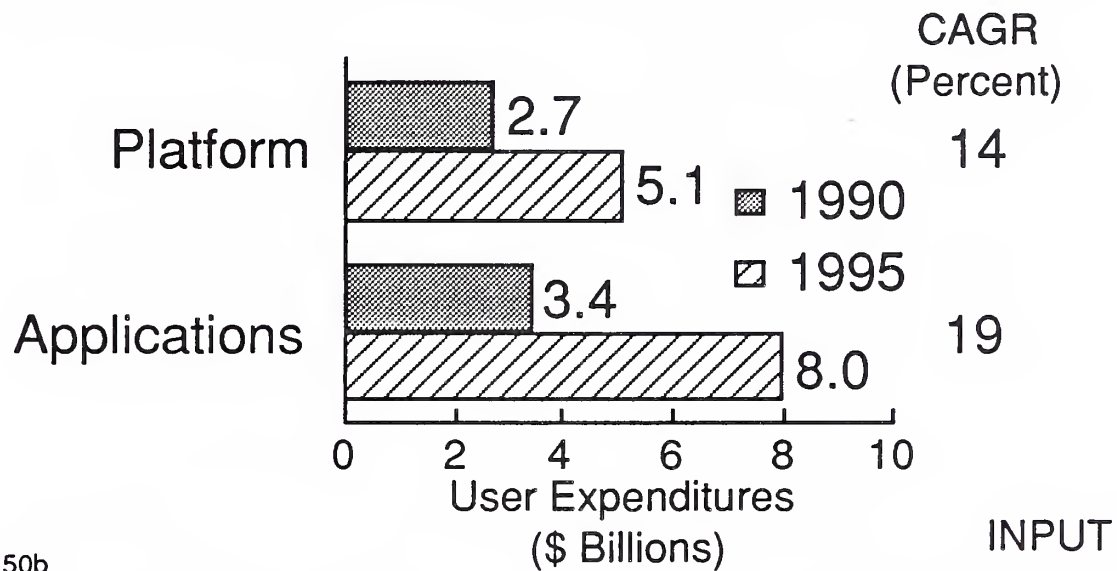


SO- 19a

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## Notes

# U.S. Commercial Systems Operations Market, 1990-1995



SO- 150b

## Notes

# Conclusions

- Outsourcing is revolutionary
  - Functional responsibility to vendor
  - Increased dependence for clients
  - Increased risk for vendor

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Notes



# Conclusions

- Outsourcing is revolutionary
  - Vendor/client partnerships
  - Vendor success tied to client success
  - Vendor provides all services

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